

BUDGET LETTER

SUBJECT: 2018-19 PRICE LETTER	NUMBER: BL 17-26
REFERENCES: BUDGET LETTERS 17-08, 17-15, AND 17-16 GOVERNMENT CODE SECTIONS 11019.10 AND 13308.05	DATE ISSUED: September 5, 2017 SUPERSEDES: BL 16-27

TO: Agency Secretaries
Department Directors
Departmental Budget and Accounting Officers
Department of Finance Budget and Accounting Staff

FROM: DEPARTMENT OF FINANCE

Section 13308.05 of the Government Code provides that the workload budget includes an adjustment for price increases in the budget year. Chapter 12 of the 2009-10 Fourth Extraordinary Session adds Section 11019.10 to the Government Code, specifying that “except as provided in the Budget Act and implementing statutes, no automatic increases shall be provided to the University of California, California State University, the state courts, or to state agency operations, including, but not limited to, annual price increases to state departments and agencies.” Therefore, no baseline adjustments for price increases will be made.

Consistent with the 2018-19 Budget Policy and to improve budget accuracy, transparency, and accountability, departments are expected to adjust their budgets to reflect the most realistic assessment of their own expenditures for personal services, staff benefits, and operating expenses and equipment. Departments should use information provided in this Budget Letter and knowledge of their own contractual commitments and cost drivers to estimate costs in 2018-19. If the adjusted line item expenses cannot be funded with the total funding allowed, departments must make adjustments to their expenditure plans to bring them in line with available funding. This may involve creating efficiencies, negotiating price reductions, or reducing activities and operations, including changes in departmental program responsibilities and staffing. Instructions for baseline budget adjustments are provided in BL 17-16. Departments are responsible for creating effective plans to do this while achieving the department’s most important core missions and documenting the plans as part of the base budget development process. The price adjustment factors included in Attachment 1 are provided for departments’ planning and detailed budget-building purposes only. The population projections on Attachment 2 are based on May Revision estimates; updated population data will be available by January 2018.

The Price Letter does not cover the price of goods and services that are included in the Department of General Services’ (DGS) annual **Price Book and Directory of Services**, which is available from the Office of Fiscal Services’ website at <http://www.dgs.ca.gov/ofs/Pricebook.aspx>. The Price Book and Directory of Services reflecting the rates for the current year and proposed rates for the budget year will be posted by DGS on its website once available. If you have any questions regarding the Price Book, please contact DGS, Office of Fiscal Services, Budget and Planning Section, 707 3rd Street, West Sacramento, CA 95605, or call Justin Smith at (916) 376-5133.

/s/Irena Asmundson

Irena Asmundson
Program Budget Manager

Attachment

PRICE LETTER STANDARDS
2018-19

PRICE ADJUSTMENT FACTOR SUMMARY
(See following text for specific instructions)

AC Code	Line-Item Object	2017-18	2018-19
Personal Services			
5150500	OASDI	6.2% of wages. Ceiling of \$128,850 ^a	6.2% of wages. Ceiling of \$132,150 ^a
5150450	Medicare	1.45% of wages. No ceiling.	1.45% of wages. No ceiling.
5150350	Health Benefits-Public Employees	CalPERS average rates will increase by 2.33% on January 1, 2018.	
5150600	Retirement-Public Employees	1.919% ^b	1.919% ^b
Operating Expenses			
		2017-18^c	2018-19^c
5304700	Telephone	d, f	f
5306100	Postage	f	f
5320230	In-State Travel Per Diem	e	e
5326100	Electricity	f	f
5326400	Natural Gas ^g	-3.1%	-9.4%
5326300	Liquid Petroleum Gas ^g	2.5%	4.9%
5340310	Attorney General Services	f	f
5344000	Data Center Services	f	f
5390150	Clothing and Personal Supplies ^f	-0.4%	-0.1%
5340290	Medical Care ^f	3.6%	6.2%
5390250	Foodstuffs ^f	3.0%	6.6%

^a The tax base for the calendar year 2017 is \$127,200. While official wage bases for the coming years were not finalized by the Social Security Administration at the time this letter was prepared, estimated wage bases of \$130,500 and \$133,800 are used for calendar years 2018 and 2019, respectively, for planning purposes. These numbers reflect a fiscal year equivalent of calendar year estimates.

^b This is the average change for all plans. Instructions for this item are provided in Budget Letter 17-23.

^c Percentage change over 2016-17 unless specified otherwise.

^d Budget at current rates.

^e See the In-State Travel Per Diem section.

^f See following text for detail.

AC Code	Line-Item Object	2017-18 ^c	2018-19 ^c
	Operating Expenses		
5390350	Laundry ^g		
	General Linen	\$0.425/lb.	f
	Personal Clothing	\$0.475/lb.	f
	Special Handling	\$0.525/lb.	f
California Consumer Price Index - All Urban Consumers		3.2%	6.1%

OPERATING EXPENSES

TELEPHONE

The Department of Technology provides a full range of telecommunications services at competitive rates through its CALNET 3 Master Service Agreement. Product descriptions and pricing information are available on the CALNET 3 website at <https://cdt.ca.gov/services/calnet/>.

POSTAGE

The latest postal rates, which went into effect on January 22, 2017, are available at most post office branches, as well as the United States Postal Service's own website at <http://www.usps.com/>.

Current major postage rates, effective since January 22, 2017, are as follows:

First-Class letter:	
1 oz.	49 cents
Postcard	34 cents
Priority Mail (Flat Rate Envelope):	\$6.65
Priority Mail Express (Flat Rate Envelope):	\$23.75

IN-STATE TRAVEL PER DIEM

For 2017-18 and 2018-19, the reimbursement for lodging, meals and incidentals, and mileage for Rank and File and all non-represented employees should be budgeted as follows:

Short Term Lodging Rate

- **All counties/cities located in California** (except noted below):

^c Percentage change of 2016-17, unless specified otherwise.

^f See following text for detail.

^g Prices do not include transportation charges, which are based on mileage. See following text for detail.

Actual lodging expense, *supported by a receipt*, up to **\$90/night**, plus tax.

- **Napa, Riverside, and Sacramento Counties**

Actual lodging expense, *supported by a receipt*, up to **\$95/night**, plus tax.

- **Marin County**

Actual lodging expense, *supported by a receipt*, up to **\$110/night**, plus tax.

- **Los Angeles, Orange, and Ventura Counties and Edwards AFB**, excluding the city of Santa Monica. Actual lodging expense, *supported by a receipt*, up to **\$120/night**, plus tax.

- **San Diego and Monterey Counties**

Actual lodging expense, *supported by a receipt*, up to **\$125/night**, plus tax.

- **Alameda, San Mateo, and Santa Clara Counties**

Actual lodging expense, *supported by a receipt*, up to **\$140/night**, plus tax.

- **City of Santa Monica**

Actual lodging expense, *supported by a receipt*, up to **\$150/night**, plus tax.

- **San Francisco City and County**

Actual lodging expense, *supported by a receipt*, up to **\$250/night**, plus tax.

Meals and Incidentals

- up to \$7.00 for breakfast
- up to \$11.00 for lunch
- up to \$23.00 for dinner
- up to \$5.00 for incidentals

Mileage

53.54 cents per mile

Actual rates are determined by collective bargaining agreements and may vary by bargaining unit. Departments are advised to use the above rates for budgeting purposes but should also monitor related notifications from the California Department of Human Resources for changes resulting from collective bargaining.

ELECTRICITY

All the major electric utilities have several rate schedules, which are based upon the customer's maximum kilowatt demand and tend to increase costs to the customer as maximum demand increases.

Departments should verify that they are being billed on the correct schedule and make every reasonable effort to reduce their maximum demand. The utilities are willing and able to offer advice in this area.

The overall electrical rates charged by major investor-owned and municipal utilities are expected to change over 2016-17 as follows:

	2017-18	2018-19
Pacific Gas & Electric Company	3.2%	6.8%
Southern California Edison	-0.8%	2.6%
San Diego Gas and Electric Company	3.1%	4.2%
Los Angeles Dept. of Water & Power	5.3%	10.2%
Sacramento Municipal Utility District	1.0%	2.0%

NATURAL GAS

Natural gas should be budgeted for 2017-18 and 2018-19 assuming price decreases of 3.1 percent and 9.4 percent, respectively, below 2016-17 actual prices. Prices for 2016-17 increased 27.8 percent from 2015-16 prices, while 2015-16 prices decreased 32.9 percent from 2014-15 levels.

LIQUID PETROLEUM GAS

Departments are advised to budget liquefied petroleum gas in 2017-18 and 2018-19 assuming price increases of 2.5 percent and 4.9 percent above 2016-17 actual prices, respectively. Departments should budget fuel oil at current market rates. Prices for 2016-17 increased 25.7 percent from 2015-16 levels, while 2015-16 prices decreased by 42.9 percent from 2014-15 levels.

ATTORNEY GENERAL SERVICES

State departments receiving legal services from the Department of Justice are advised to budget Attorney Services and Paralegal Services at \$170 per hour and \$120 per hour, respectively, for 2017-18. If rate changes are needed for 2018-19, departments will be notified of the change in a subsequent Budget Letter.

DEPARTMENT OF TECHNOLOGY SERVICES

The Department of Technology services billing rate schedule can be found on the Department of Technology website at <https://cdt.ca.gov/services/rates/>.

In addition, the Department of Technology, Rates and Cost Recovery Branch personnel are available to assist with cost estimates associated with Department of Technology services. For more information, departments may contact Natividad Nevarez at (916) 431-4286 or natividad.nevarez@state.ca.gov. Please note: Departments that have significant changes in the utilization of Department of Technology services need to submit budget change proposals to address their needs.

As a result of Chapter 404, Statutes of 2010 (AB 2408), which became effective January 1, 2011, the Department of Technology will no longer require an executed Inter-Agency Agreement (IAA) from state entities to process the direct transfer payment for services rendered (this also includes CALSTARS). All other invoicing processes will remain the same. Electronic invoices through CalTABS will be published online 10 business days after the end of each billing period, and an electronic file to the State Controller's Office (SCO) for the direct transfer process will occur 1-3 business days following the release of the invoices.

SCO will provide departmental accounting units with a journal entry upon completion of the direct transfer transaction. Departments electing to continue to process an IAA for the purpose of encumbering funds may do so by downloading the Department of Technology's IAA template at its website, <https://cdt.ca.gov/services/service-agreements/>. For additional information regarding IAAs, departments may contact Mr. Darren Wilder at (916) 431-5089 or darren.wilder@state.ca.gov.

For estimate amounts and additional information regarding CALSTARS billing, please contact Anne Wong of the Department of Finance at (916) 445-0211 Ext. 2842 or anne.wong@dof.gov.

CLOTHING AND PERSONAL SUPPLIES

Clothing and personal supplies should be budgeted for 2017-18 and 2018-19 at 0.4 percent and 0.1 percent below 2016-17 actual expenditures, respectively.

MEDICAL CARE

Departments should budget contract items at current prices. Budget the remaining items for 2017-18 and 2018-19 at 3.6 percent and 6.2 percent, respectively, above 2016-17 actual expenditures.

FOODSTUFFS

Budget feeding costs for 2017-18 and 2018-19 at 3.0 percent and 6.6 percent, respectively, above 2016-17 actual expenditures.

LAUNDRY

Laundry prices for departments served by state correctional institutions should be budgeted as follows:

Service	2017-18
General Linen	\$0.425/lb.
Personal Clothing	\$0.475/lb.
Special Handling	\$0.525/lb.

These prices do not include mileage-based transportation costs and stop fees, which are as follows:

Transportation rates: \$4.00 per mile (applies to round trip mileage).

Stop fees: \$55 for locations with one pick-up point; \$95 for locations with multiple pick-up points.

At the time this letter was prepared, the Prison Industry Authority did not have the estimated increases for 2018-19 available.

CONSUMER PRICE INFLATION

The Economic Research Unit of the Department of Finance forecasts the California Consumer Price Index for all urban consumers (CPI-U) and several other price indexes in May and January. The most current California CPI-U forecast predicts that overall consumer prices will rise by 3.2 percent and 6.1 percent in 2017-18 and 2018-19, respectively, over 2016-17. However, departments are advised that while the CPI-U is believed to represent overall consumer prices, this index may be inappropriate for use in predicting the inflation trends for certain types of purchases. As an alternative, the US state and local government implicit deflator may be used. This index is estimated to increase by 2.2 percent in 2017-18 and 2.4 percent in 2018-19. Furthermore, it is suggested that departments wishing to use CPIs to help forecast their expenditures contact the Economic Research Unit at (916) 322-2263 for the most recent available forecast.

POPULATION

California's total population on July 1, 2017 is projected at 39,693,627 – an increase of 339,195 over the number residing in the state on the same date last year. The civilian population on July 1, 2017 – the essential figure for most budget computations – is projected to reach 39,532,580. Current projections for mid-year 2018 anticipate a growth rate of 0.9 percent overall and for the civilian population. The total population as of July 1, 2018 is expected to be 40,033,093, of which 39,872,046 are civilians. These data are summarized in Table 1.

Table 1. ESTIMATED POPULATION OF CALIFORNIA, 2012-2019 (in thousands, rounded down)				
1-Jul	Total Population	Civilian Population	One-Year Change	
			Total	Civilian
2012	38,041	37,888	366	372
2013	38,373	38,211	331	322
2014	38,739	38,576	365	365
2015	39,059	38,902	320	325
2016	39,354	39,198	294	295
2017	39,693	39,532	339	334
2018	40,033	39,872	339	339
2019	40,375	40,214	342	342

Table 2 shows the civilian population for the years 2012-2019 distributed by five-year age groups. This distribution is based upon the results of the April 1, 2010 decennial census and the most recent Department of Finance estimates and projection series.

Table 2. ESTIMATES OF CALIFORNIA'S CIVILIAN POPULATION BY AGE (in thousands)								
Age in Years	7/1/2012	7/1/2013	7/1/2014	7/1/2015	7/1/2016	7/1/2017	7/1/2018	7/1/2019
0-4	2,525	2,510	2,510	2,512	2,488	2,480	2,465	2,449
5-9	2,559	2,585	2,594	2,590	2,593	2,578	2,567	2,569
10-14	2,552	2,546	2,548	2,550	2,563	2,599	2,628	2,639
15-19	2,847	2,828	2,814	2,806	2,789	2,775	2,777	2,786
20-24	2,772	2,836	2,899	2,939	2,976	2,985	2,971	2,963
25-29	2,627	2,567	2,517	2,484	2,493	2,534	2,602	2,665
30-34	2,671	2,720	2,757	2,745	2,711	2,663	2,606	2,557
35-39	2,502	2,507	2,527	2,566	2,616	2,672	2,726	2,763
40-44	2,644	2,633	2,606	2,560	2,522	2,513	2,521	2,542
45-49	2,616	2,590	2,583	2,605	2,632	2,641	2,635	2,609
50-54	2,622	2,638	2,654	2,639	2,606	2,578	2,554	2,548
55-59	2,357	2,413	2,460	2,506	2,537	2,556	2,572	2,586
60-64	1,972	2,018	2,080	2,147	2,212	2,276	2,332	2,376
65+	4,623	4,820	5,027	5,252	5,460	5,682	5,916	6,162
Total	37,888	38,211	38,576	38,902	39,198	39,532	39,872	40,214